

*****ATTACHMENTS*****

CITY OF SHEBOYGAN

REQUEST FOR FINANCE COMMITTEE CONSIDERATION

ITEM DESCRIPTION: Direct Referral Resolution 193-16-17 by Ald. Wolf authorizing a transfer of appropriations in the 2017 Budget.

REPORT PREPARED BY: Nancy Buss, Finance Director

REPORT DATE: February 8, 2017

MEETING DATE: February 13, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

Direct Referral Resolution 193-16-17 requests entering into an agreement with Ruckert & Mielke, Inc. for planning and preliminary engineering services related to the expansion of the Sheboygan Business Center. With two pending development proposals in the Sheboygan Business Center and the city nearing full occupancy of the available parcels needs to start planning for an expansion of the park. The city's owns a 57 acre parcel known as the compost site that may allow the city to be competitive for larger tracts of land associated with new business leads. City staff would prefer to have the area south of our current park between CTH OK and I-43 master planned as the city potentially starts selling its property. City staff interviewed three consultants, Ruckert & Mielke, Inc., RA Smith National, GRAEF and asked them to submit costs. The scope of work includes a conceptual plan for roads and utilities, as well as a marketability study for the land. Based on knowledge of the project, city staff recommends Ruckert & Mielke, Inc. for \$34,000.

This study is step one in the process for analyzing expansion of the business center to stay competitive in the county. The Village of Oostburg, Sheboygan Falls, and Plymouth all have industrial parks ready for new development opportunities and staff feels we need to start the process of analyzing our options. This study will be paid from the Industrial Development Fund, which is dedicated to expansion of our business parks.

On February 6, the Common Council authorized city staff to enter into an agreement with Ruckert & Mielke, Inc.

STAFF COMMENTS:

WI State Statutes requires no funds may be expended and no liabilities incurred by the city or any department unless authorized. The request for transfer is from the Unreserved Fund Balance of the Industrial Park Fund.

ACTION REQUESTED:

Motion to recommend the Common Council approve Direct Referral Res 193-16-17 by Alderperson Wolf authorizing a transfer of appropriations in the 2017 Budget.

ATTACHMENTS:

- I. Direct Referral Resolution 193-16-17

III

DIRECT REFERRAL TO FINANCE

Res. No. 193 - 16 - 17. By Alderperson Wolf. February 13, 2017.

A RESOLUTION to authorize a transfer of appropriations in the 2017 Budget.

Establish estimated revenue and appropriation for contracted services for planning and preliminary engineering services related to the expansion of the Sheboygan Business Center:

<u>FROM</u>	<u>TO</u>	<u>AMOUNT</u>
Industrial Park Fund Unreserved Fund Balance 407-253000	Industrial Park Fund Contracted Services 40761100-521900	\$37,500

Finance.

I HEREBY CERTIFY that the foregoing Resolution was duly passed by the Common Council of the City of Sheboygan, Wisconsin, on the _____ day of _____, 20____.

Dated _____ 20____. _____, City Clerk

Approved _____ 20____. _____, Mayor

CITY OF SHEBOYGAN

REQUEST FOR FINANCE COMMITTEE CONSIDERATION

ITEM DESCRIPTION: Resolution xxx-16-17 by Alderperson Wolf authorizing a transfer of appropriations in the 2017 Budget.

REPORT PREPARED BY: Nancy Buss, Finance Director

REPORT DATE: February 8, 2017

MEETING DATE: February 13, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The Department of City Development has taken the necessary steps to amend the Community Development Block Grant Plan to allow for a substantial amendment to appropriate funds received from the Federal Government that have not been spent. The document will allow for the funds to be used for park facilities and street improvements.

STAFF COMMENTS:

WI State Statutes requires no funds may be expended and no liabilities incurred by the city or any department unless authorized. The request for transfer is additional Community Development Block Grant Funds.

ACTION REQUESTED:

Motion to recommend the Common Council approve Resolution xxx-16-17 by Alderperson Wolf authorizing a transfer of appropriations in the 2017 Budget.

ATTACHMENTS:

- I. Resolution xxx-16-17

Res. No. 16 - 17. By Alderperson Wolf.
February 20, 2017

A RESOLUTION to authorize a transfer of appropriations in the 2017 Budget.

Establish estimated revenue and appropriation for contracted services for park facilities and street improvements in the CDBG Block Grant Funds

FROM	TO	
CDBG Block Grant Fund Block Grant Funding 21661100-431901	CDBG Block Grant Fund Park Facilities 21653000-631100	\$200,000
	Street Improvements 21661100-6311000	\$100,000

CITY OF SHEBOYGAN

REQUEST FOR FINANCE COMMITTEE CONSIDERATION

ITEM DESCRIPTION: Report of Officer from the Finance Director submitting 2017 Long Term Financial Plan.

REPORT PREPARED BY: Nancy Buss, Finance Director

REPORT DATE: February 8, 2017

MEETING DATE: February 13, 2017

FISCAL SUMMARY:

STATUTORY REFERENCE:

Budget Line Item: N/A
Budget Summary: N/A
Budgeted Expenditure: N/A
Budgeted Revenue: N/A

Wisconsin Statutes: N/A
Municipal Code: N/A

BACKGROUND / ANALYSIS:

The City of Sheboygan recognizes a long term financial plan will be a valuable tool combining financial forecasting with the Strategic Plan. The process combines future scenarios to assist in the navigation of challenges. The Long Term Financial Plan forecasts projected revenue and expenses using assumptions about economic conditions and future spending to align with long term objectives.

STAFF COMMENTS:

Governments utilize a comprehensive long term financial plan to stimulate discussion and engender a long range perspective for decision makers. It can be used as a tool to prevent financial challenges while it stimulates long term and strategic thinking. In addition, it can give consensus on long term financial direction and is a useful tool for communications with internal and external stakeholders.

ACTION REQUESTED:

Motion to recommend the Common Council accept and file Report of Officer xxx -16-17 by the Finance Director accepting the 2017 Long Term Financial Plan.

ATTACHMENTS:

1. Report of Officer xxx -16-17
2. 2017 Long Term Financial Plan

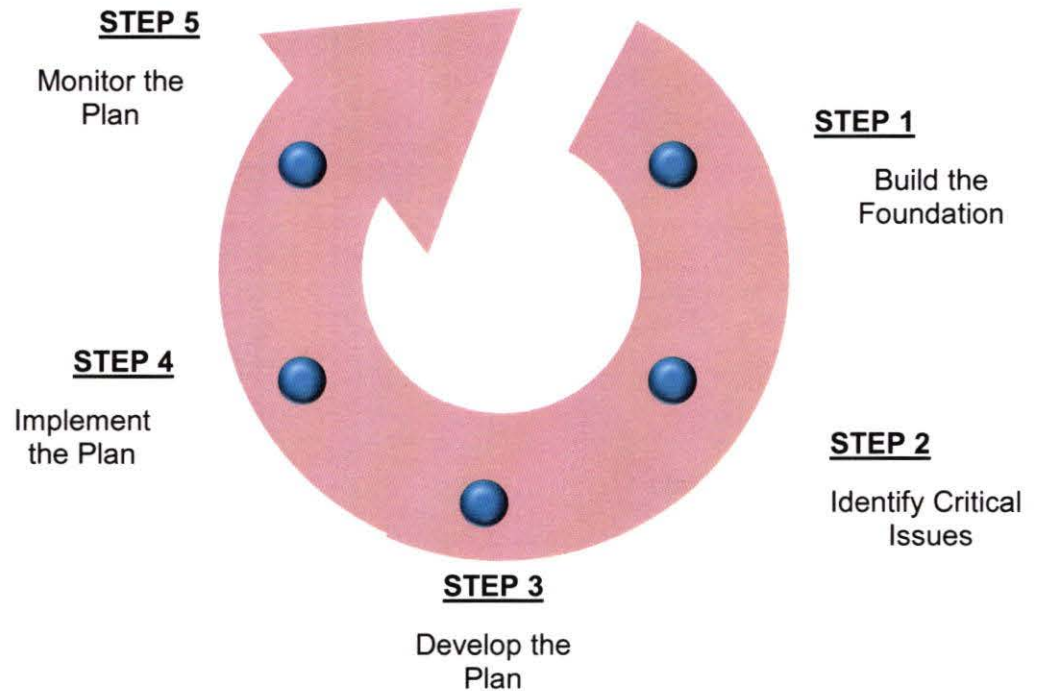
R. O. No. _____ 16-17. By Finance Director.
February 20, 2017

The Finance Committee reviewed and approved the attached 2017 Long Term Financial Plan.

2017 Long Term Financial Plan

The LTFP is a financial strategic plan

The City of Sheboygan, at the Common Council direction, annually prepares a comprehensive Long Term Financial Plan (LTFP). The LTFP is intended to serve as a tool, providing Common Council and the public with the insight required to address issues impacting the city's financial condition. The Plan consists of the complete strategic plan.



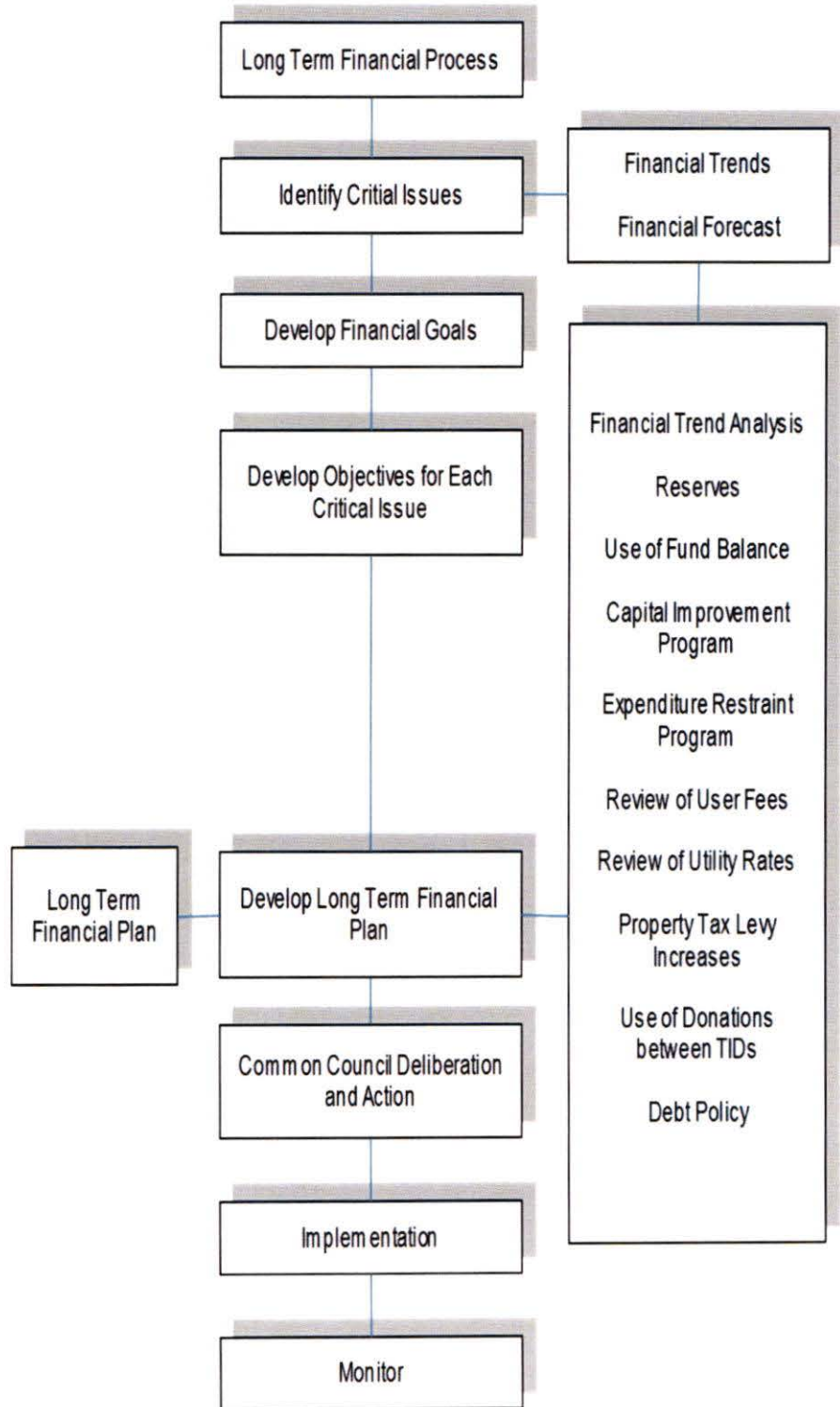
Long Term Financial Plan Process

The Long Term Financial Plan process

The city's LTFP begins by identifying several critical areas which have, or are expected to have, an impact on the financial condition of the city over the next five years. Once the critical issues are identified, specific goals and objectives are developed for each project designed to meet the overall goal of the project.

To provide a clear and concise Long Term Financial Plan, identifying the city's current and projected financial condition, and proposing specific alternatives to address identified problems.

The follow chart below graphically describes the process that went into developing the city's LTFP. This project was conducted largely by city management team.



The Management Team is responsible for keeping the projects on track and on schedule. The Team also identifies when their goals and objections are met. The key message expressed to the Management Team is that the LTFP has to be clear and concise while providing very specific and practical recommendations that addressed the issue at hand.

The LTFP is presented in detail to the Common Council each June. The Finance Committee will review the initial proposal in February, 2017. Following is the schedule that will be followed by the Common Council as they develop or update an action plan that the city will implement as a part of the upcoming budget process:

Schedule

June or July: LTFP provided to the Finance Committee.
July: Public input and Common Council adoption

The LTFP represents elements of the City's fiscal policy.

The LTFP for the City of Sheboygan represents the ongoing focus on financial strategic plans. Elements of the LTFP have been incorporated on an annual basis into the development, deliberation and approval of the Annual Program Budget. The plan is intended to be a well thought-out analysis of the issues that may affect the finances of the City of Sheboygan.

Trends & Forecast are the foundation of the LTFP

The LTFP uses financial trends and forecasts to identify future financial challenges and opportunities, and then identifies strategies to secure financial sustainability within **these same challenges and opportunities**. The trends and forecast must identify how, from a financial perspective, the city will provide a consistent level of public services and also addresses special issues of concern to the community.

Financial Sustainability

Financial sustainability extends beyond the ability to raise sufficient revenue to meet expenditures by ensuring that the level and types of service expected from the community can be delivered while assessing and managing associated risk at acceptable levels of sources of revenue.

The goal is to ensure financial sustainability through flexibility, efficiency, sufficiency, integration and credibility.

Flexibility: ability to effectively respond to changing circumstances. The capacity to be able to respond to

significant atypical conditions or events needs to be considered as part of this goal.

Efficiency: using public funds to provide the highest level of needed services possible within the funding available. There are two components of this goal: strive to use the least resources to provide a given level of service and to target resources at those services most valued by citizens and only providing services that provide sufficient value to justify the costs.

Funding sufficiency: having sufficient resources to support the delivery of services. This goal not only refers to the amount of funding but also to the consistency in funding level changes relative to changes in expenditures and the diversity of funding sources.

Integration: ensuring that the financial constraints under which the city operates are fully considered when engaged in policy-making and decision-making.

Credibility: achieving financial performance in a way that maintains public confidence in the city's ability to provide services and infrastructure at expected levels. Financial decisions should be consistent with the overall goal of financial sustainability. Services must be valuable to citizens and the benefits provided must be perceived that the services are in proportion to the taxes and fees paid.

Financial Strategies

Financial strategies have been identified to contribute to the five financial goals.

Ensure adequate funding: obtain adequate funding from multiple sources for requirements related to day-to-day operating commitments, capital equipment life cycle and infrastructure needs, as well as managing growth and development. This would encompass a balanced approach between understanding the timing and nature of operating expenditures to ensure they are matched with reliable and stable funding sources and capital funding related to infrastructure needs and maintaining capital assets. This strategy includes identifying costs and maintaining or increasing funding from existing and new revenue sources.

Achieving diverse sources of funding: identify actions related to alternative and innovative funding sources that will

help the city respond to the pressures of growth and redevelopment and reduce the reliance property taxes. Property taxes, user fees and intergovernmental revenue are the traditional inelastic revenue sources used to meet expenditure requirements that are continually under upward pressure which can place stress on the city's financial position.

Managing expenditures: containing costs in order to limit pressure on revenue requirements, maintain market competitiveness and/or reserve capacity to maintain service levels. This can be accomplished by increasing efficiencies in service delivery, setting spending priorities to ensure the most important areas are funded, and positioning the city as an efficient provider of services and infrastructure.

Providing for contingencies: prepare the city to manage risk and to be resilient when dealing with unforeseen circumstances while limiting the impact on services. This can be accomplished by monitoring economic and operational factors and forecasts in order to be able to respond to changing circumstances and ensuring that the city has access to enough funds to meet unforeseen urgent needs and manage risk appropriately.

Using debt strategically: providing capital funding flexibility by allowing infrastructure to be built and used before sufficient revenue has accumulated to offset needed investment. This can be accomplished by managing the level of debt and strategically making essential assets available as well as examining a wider range of debt financing instruments.

Operating with foresight: taking into account the current and future impacts of decisions on services and infrastructure. This includes maintaining or extending existing practices regarding a long-term approach in decision making.

Maintaining sufficient cash flow: allowing the city to pay the costs of supplying services and infrastructure throughout the year match expenditure requirements, including debt service.

Promoting and enabling integration of priorities and resources: identifying and encouraging awareness of the

financial implications of policy making and decision making on the city's financial position. This can be accomplished by linking needs and actions to resources, responsibilities and timeliness among stakeholders, promoting greater efficiency by reducing duplication of effort or working at cross purposes and managing growth and development.

***Input from Multi-Year
City Plans***

Common Council approved multi-year plan Capital Improvement Program is included in the Long Term Financial Plan as it will impact the finances of the City over the next five years.

From a fiscal perspective, the city's financial picture is positive. The General Fund's fund balance exceeds the city's policy of a minimum 25 percent of expenditures, largely due to significant expenditure savings experienced over the last few years.

Overall, the City is in excellent financial shape and should be able to accommodate the expenditure growth that is anticipated over the next ten years.

***State of Wisconsin
restrictions on local
governments***

External factors imposed by the State of Wisconsin have played a key role in shaping the city's financial picture. These factors include restrictions on property tax levy increases and restrictions on new or increases in existing user fees without corresponding reductions in property tax level.

Several city funds are tied directly to development and consequently, are experiencing. The active Tax Incremental Districts all have a positive financial outlook, as the increment is sufficient to meet obligations, or serve to donate funds to other districts. The city also has capacity to develop additional tax incremental districts within the 12 percent capacity limit established by the WI Department of Revenue.

The LTFP provides a framework from which the Common Council and Staff can frame future financial decisions.

As outlined in the 2017 Adopted Program Budget the recommendations from the city's multi-year plans are included in the LTFP as they impact the finances of the city. All of the plans were utilized in LTFP analysis of the General Fund, tax levy and TID's. The fiscal related issues include:

- *Financial Trend Analysis* All operating position and debt indicators were favorable.
- *Reserves* - The General Fund target is maintaining a 25 percent uncommitted fund balance. The LTFP indicates that a 25 percent uncommitted fund balance is attainable through the ten year period.
- *Use of Fund Balance as a revenue source* – The city policy restricts the amount of undesignated fund balance for the General Fund that is applied to the budget for the ensuing year shall not reduce the undesignated fund balance below an amount equal to 25 percent of the ensuing year's General Fund expenditures.
- *Capital Improvement Program* – The Five Year Capital Improvement Program includes requests from all city departments for assets and infrastructure improvements, including tax increment districts. The Five Year Capital Improvement Program is funded from tax levy, debt issuance, contributions and federal, state and local grant funding.
- *Expenditure Restraint Program* – The analysis presumes the city will remain eligible for this State of Wisconsin program which rewards operating (funds affected by the tax levy) budgets who budget annually at or below inflation plus a percentage of net new construction. The LTFP projects expenditures based on projected inflation.
- *Review of User Fees* – The city's Management Team reviews existing fees for consideration of increases annually.
- *Review of Utility User Fee Rates* – Rates were increased for water in January, 2016, and sewer in January, 2017, by 5.7 and 4 percent respectively.
- *Property Tax Levy Increases* – The city's equalized tax rate in 2016 of \$9.521 is an increase of 0.66 percent over the previous year's rate of \$9.4584.
- *Use of Donations between TIDs* – The city has a number of well performing Tax Incremental District (TID) with capacity to donate to other underperforming TIDs. The 2017 Annual Program Budget includes a donation from TID 11 to TID 6.
- *Debt Policy* – This policy establishes parameters for issuing and managing debt. No more than 60 percent of the State of Wisconsin's limit of 5 percent of equalized value.

A financial projection of the General Fund, Debt Service Fund and tax levy requirements is included in the LTFFP. An analysis of the TIDs is conducted annually.

An analysis of General Fund revenues and expenditures as well as the General Fund's fund balance is conducted annually. Based on actual and current budgeted revenues and expenditures as well as annual CPI changes, a five year forecast was developed.

**General Fund
Revenue Assumptions**

Revenue Assumptions:

- Property Tax Levy – Current State limits continue. Tax levy increases for all funds limited to net new construction (floor of zero percent), adjustments to debt service, and additional adjustments due to annexations, transfer of services to/from another municipality, adjustments due to increases of fees for tax levy supported services and amounts approved by referendum. The General Fund tax levy is projected to remain stable.
- Intergovernmental Revenue – Current State funding continued. Mostly stable continuation of transportation aids, expenditure restraint program, state shared revenue program and recycling grant. This revenue category is projected to remain stable.
- All Other Revenue – Includes Permits and Licenses, Fines and Forfeitures, Charges for Services, and Miscellaneous Income. Slight increase anticipated in construction-related permits due to construction activity of multi-family housing units. All other revenues in this classification anticipated to remain stable.
- Other Financing Sources – Conservatively estimated with slight change or no change.

**General Fund
Expenditures Assumptions**

Expenditure Assumptions

- Personnel Expenditures - Wages and benefits, including Wisconsin Retirement System (rates determined by the state) and health insurance (self insured by the City of Sheboygan). This expenditure classification included inflation of two percent in the 2017 Budget and 2016 Budget.
- Non-Personnel Expenditures – Contracted services, office supplies, utilities, gasoline, liability and property insurance, training and conferences and communication are the main expenses.

Based upon these assumptions the General Fund projects a stable fund balance. The 2017 Annual Program Budget projection is used as the basis for projecting 2018 – 2021.

Tax Levy Revenue

Tax Levy Revenue – Tax levy revenue is the largest revenue source for city services and projects.

Tax levy revenue is collected for the following funds:

- General – Largest tax levy portion is allocated to this fund which is the operating fund of the city.
- Library – Tax levy portion allocated to Mead Library Fund has remained stable for the past five years.
- Park, Forestry and Open Space – Tax levy funding in the 2017 Annual Program Budget is new for 2017.
- G.O. Debt Service – Tax levy portion allocated to G.O. Debt Service Fund has remained stable for the past five years.
- Capital Projects – Tax levy for capital projects has been utilized in the 2016 and 2017 Annual Program Budgets.
- Transit – Tax levy portion allocated to the Transit Utility Fund has remained stable for the past five years.

Tax levy funding, as indicated above, reflects actual requirements or approved amounts identified in the Five Year (2017 – 2021) Capital Improvement Program. The funds supported by tax levy will provide sufficient revenue to support the expenditures identified and retain sufficient fund balances.

Tax levy limits under current state law may change with future legislation. Changes to the law will require adjustments to future long-range forecasts as necessary. Future limitations could impact the ability of the city to deliver services.

Summary

The LTFP is designed to be a dynamic document that is modified based on current or new conditions. External factors play a key role in determining the financial picture of the city. The external factors include legislation approved by the State of Wisconsin, development and the economy. These factors may impact the financial picture positively or negatively.

The current financial situation reflect a strong financial position, prudent fiscal practices and solid reserves for the funds included on the LTFP.